

LYONS TOWNSHIP DISTRICT LIBRARY

Ionia County, Michigan

Financial Statements

And

Independent Auditor's Report

For the Year ended February 28, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name LYONS TOWNSHIP DISTRICT LIBRARY	County IONIA
Fiscal Year End FEBRUARY 28, 2006	Opinion Date DECEMBER 18, 2006	Date Audit Report Submitted to State JANUARY 4, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

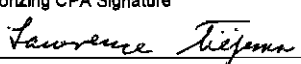
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) LAWRENCE TIEJEMA, PC		Telephone Number 616-642-0384	
Street Address 31 EAST MAIN STREET, PO BOX 10		City SARANAC	State MI
		Zip 48881	
Authorizing CPA Signature 		Printed Name LAWRENCE TIEJEMA	License Number A 256739

LYONS TOWNSHIP DISTRICT LIBRARY

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Lawrence Tiejema, PC Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

December 18, 2006

The Library District Board
Lyons Township District Board
Ionia County, Michigan

I have audited the accompanying financial statements of the governmental activities of Lyons Township District Library, Ionia County, Michigan, as of and for the year ended February 28, 2006, which collectively comprise the Library District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library District management. My responsibility is to express opinions on these financial statements based on my audit.

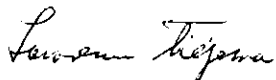
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Lyons Township District Library, as of February 28, 2006, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated December 18, 2006, on my consideration of Lyons Township District Library's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 3 to 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lyons Township District Library basic financial statements. The governmental schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.



Lawrence Tiejema, PC.

December 18, 2006

Management Discussion and Analysis

The year ended February 28, 2006, was full of accomplishments for the Lyons Township Library District. The library facilities were moved to a remodeled building located on Bridge Street and a wireless internet network was acquired. The new library building is now large enough to provide a full range of library services without space restrictions.

Financial Highlights

- (1) The move to the new library was accomplished in July 2005. The new library was purchased for \$109,875 and remodeled for \$48,659.
- (2) A church purchased as a library building in 1996 was sold on July 15, 2005, for \$30,178. The building had been purchased for \$30,247 and \$93,022 was spent to make improvements. Thus, our financial statements show a loss when the building was sold.
- (3) A wireless internet network was acquired for \$1,293 to accommodate the needs of the library staff and the patrons who use the library's computers.
- (4) Though a capital campaign to raise funds for the new library did not bring a large sum, total donations rose from \$381 during the prior year to \$7,882 for the year ended February 28, 2006. Of this amount, \$5,881 was donated for the new library building.
- (5) New shelving units were built for the new library at a cost of \$1,625. The Friends of Lyons District Library donated \$925 of this cost.
- (6) The amount expended for new library books for the year ended February 28, 2006, was \$14,666 compared to \$12,002 for the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District Library's basic financial statements. The District Library's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District Library's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the District Library's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District Library is improving or deteriorating. The *statement of activities* presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Local governments may have activities that are intended to recover all or a significant portion of their costs through user fees and charges. Lyons Township District Library has no such activities. All financial resources and expenditures are maintained in the general fund. Through its general fund, Lyons Township District Library provides library services for Lyons Township and the villages of Muir, Lyons, and Pewamo. The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government wide-financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the financial statements can be found on pages 15 to 25 of this report.

Lyons Township District Library Net Assets

	Year ended February 28, 2006	Year ended February 28, 2005
Current and other assets	107,553	102,281
Capital assets	295,184	374,985
Total assets	402,737	477,266
Long-term liabilities outstanding		
Other liabilities	2,094	943
Total liabilities	2,094	943
Net assets:		
Invested in capital assets, net of related debt	295,184	374,985
Restricted		
Unrestricted	105,459	101,338
Total net assets	400,643	476,323

In the year ended February 28, 2006, current assets increased while capital assets decreased. This was due to increases in property taxes and penal fine income. Capital assets fell as a result of the sale of the church building. Of the \$107,553 in current assets, \$29,827 consists of checking and savings account balances and \$75,092 property taxes due from the County of Ionia. The Library District's liabilities of \$2,094 consisted of \$1,327 in state revenue sharing for 2006-07 that had been paid before February 28, 2006, and Accounts Payable of \$767. Accounts payable consists of expenses incurred before February 28, 2006, and paid in March and April after the fiscal year closed.

Lyons Township District Library Changes in Net Assets

	Year ended February 28, 2006	Year ended February 28, 2005
Revenue:		
Program revenue:		
Charges for services	2,849	1,764
Capital grants and contributions	-	
General revenue:		
Property taxes	77,626	70,971
Penal Fines	27,112	26,086
State revenue sharing	3,030	3,337
Other	8,127	3,011
Total revenue	118,744	105,169
Expenses:		
Library personnel	54,527	52,336
Library materials	29,483	27,207
Library administration	28,634	25,062
Disposal of former library building	81,760	0
Total expenses	194,404	104,605
Increase (decrease) in net assets	(75,660)	564
Net assets – beginning of year	476,323	475,759
Prior period adjustment	(20)	
Net assets – end of year	400,643	476,323

Both income and expenses increased in the year ended February 28, 2006, compared to the prior year. Property tax revenues increased by \$6,655 while penal fines rose \$1,026. At the same time, expenses for library materials, personnel, and administration increased 7.7%. Part of this was due to the move to the new library and the expenses of maintaining two buildings for a period of time. Two expense increases demonstrate this. Utilities rose from \$6,021 to \$7,045 and repairs/maintenance rose from \$660 to \$1,262 from the prior year to the year ended February 28, 2006.

The biggest expense item was the loss on the disposal of the church building. Since a net of \$111,938 had been invested in the building and proceeds from the sale were \$30,178, a resulting loss of \$81,760 was recorded. This was a one-time event that will not affect the financial future of the Library District.

**Lyons Township District Library Capital Assets
(net of depreciation)**

	<u>Year ended February 28, 2006</u>	<u>Year ended February 28, 2005</u>
Building and Improvements	154,377	222,167
Book Collection	126,321	137,734
Machinery and Equipment	14,486	15,084
Total Assets	<u>295,184</u>	<u>374,985</u>

The District Library spent \$17,734 for new books, a wireless internet network, and new library shelving units. However, depreciation on those assets of \$29,745 reduced the book value of "Machinery and Equipment" and "Book Collection" by \$12,011. For building and improvements, the Library District sold a building with a value net of depreciation of \$113,094 and made \$45,304 of improvements on the new library building, reducing the net value of buildings and building improvements by \$67,790.

Looking to the Future

The move to the new library building has been very beneficial. We now have more room for books, periodicals, computers, and videos as well as more room for storage. A meeting room is also available for small group meetings including the meetings of the District Library board. Now that the costs of moving to the new library have been completed, expenses should now fall below our anticipated revenues. Our current fund balance of \$105,459 is approximately 100% of our normal yearly expenses. Most of the library's funding is quite stable. A county millage that supports all Ionia County district libraries contributed 66% of our revenues while penal fines and state revenue sharing provide another 25%. If the State of Michigan revenue sharing and penal fine income were to be reduced, our library services could be affected. However, the Board does not think that this is likely at the current time.

The District Library will be able to replace its computers through a grant from the Bill and Melinda Gates Foundation. This change will result in more efficient computer operation and internet web access. The library currently has or has had a number of programs that benefit the users of the library including the summer reading program, story time for pre-schoolers, and book discussion groups. In the future, the Library District would like to conduct an internet class and a teen book discussion group.

The District Library plans to use its revenues and resources very prudently in the coming years. In the fiscal year ended February 28, 2006, the Library Board made a substantial investment in buildings and equipment to move the library materials and services to a greatly improved location. Our goal is now to maximize this new building to improve our services without dipping into our financial reserves. Our fund balance of one year's operating expenses will provide a cushion in case there is a reduction in funding.

LYONS TOWNSHIP DISTRICT LIBRARY

STATEMENT OF NET ASSETS

February 28, 2006

	<u>Governmental Activities</u>	
	February 28, 2006	February 28, 2005
Assets		
Current assets		
Cash and deposits	\$ 29,827	\$ 9,796
Investments	-	18,286
Prepaid expenses	2,634	3,437
Due from other governments	<u>75,092</u>	<u>70,762</u>
Total current assets	107,553	102,281
Non-current assets		
Capital assets	464,266	521,142
Less: accumulated depreciation	<u>(169,082)</u>	<u>(146,157)</u>
Net capital assets	295,184	374,985
Total Assets	<u>402,737</u>	<u>477,266</u>
Liabilities		
Current Liabilities:		
Accounts payable	767	943
Deferred revenue	<u>1,327</u>	<u>-</u>
Total current liabilities	2,094	943
Net Assets		
Invested in capital assets	295,184	374,985
Prior period adjustment		(20)
Unrestricted net assets	<u>105,459</u>	<u>101,338</u>
Total net assets	<u>\$ 400,643</u>	<u>\$ 476,303</u>

The accompanying notes are an integral part of these financial statements.

LYONS TOWNSHIP DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2006

Functions/ Programs	Expenses	Program Revenues	Net (Expense) Revenues
		Charges for Service	
Governmental activities:			
Culture and recreation:			
Library personnel	\$ 54,527	\$ -	\$ 54,527
Library materials	29,463	1,606	27,857
Library administration	28,654	1,243	27,411
Total government activities	112,644	2,849	109,795
General revenues:			
Property taxes			77,626
Penal fines			27,112
State revenue sharing			3,030
Investment earnings			245
Other revenues			7,882
	Total general revenues		115,895
	Loss on disposal of former library		(81,760)
	Changes in net assets		(75,660)
	Net assets at the beginning of year		476,323
	Prior period adjustment		(20)
	Net assets at the end of year	\$	400,643

The accompanying notes are an integral part of these financial statements.

LYONS TOWNSHIP DISTRICT LIBRARY

BALANCE SHEET

GOVERNMENTAL FUNDS

FEBRUARY 28, 2006

GENERAL FUND		
	<u>February 28, 2006</u>	<u>February 28, 2005</u>
ASSETS:		
Cash and deposits	\$ 29,827	\$ 9,796
Investments	-	18,286
Prepaid expenses	2,634	3,437
Due from other governments	<u>75,092</u>	<u>70,762</u>
TOTAL ASSETS	<u>107,553</u>	<u>102,281</u>
<u>LIABILITIES AND FUND BALANCE</u>		
LIABILITIES:		
Accounts payable	767	943
Deferred revenue	<u>1,327</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,094</u>	<u>943</u>
FUND BALANCE		
Prior period adjustment		(20)
Undesignated	<u>105,459</u>	<u>101,338</u>
Undesignated, adjusted	<u>105,459</u>	<u>101,318</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 107,553</u>	<u>\$ 102,261</u>

The accompanying notes are an integral part of these financial statements.

LYONS TOWNSHIP DISTRICT LIBRARY

Governmental Funds

Reconciliation of Fund Balances of Governmental Funds to Net Assets

February 28, 2006

Fund balance -- total governmental funds.....	\$ 105,459
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add -- capital assets.....	464,266
Deduct -- accumulated depreciation.....	(169,082)
Net assets of governmental activities.....	<u>\$ 400,643</u>

The accompanying notes are an integral part of these financial statements.

LYONS TOWNSHIP DISTRICT LIBRARY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED FEBRUARY 28, 2006

GENERAL FUND

	<u>Year ended 02/28/2006</u>	<u>Year ended 02/28/2005</u>
REVENUES:		
Property taxes	\$ 77,626	\$ 70,971
Penal fines	27,112	26,086
State revenue sharing	3,030	3,337
Interest earnings	245	1,438
Donations	7,882	381
Sale of building	30,178	-
Other revenues	2,849	2,956
TOTAL REVENUES	<u>148,922</u>	<u>105,169</u>
EXPENDITURES:		
Wages	47,586	45,945
Payroll taxes	3,640	3,515
Fringe benefits	3,300	2,876
Books	14,666	12,002
Periodicals	169	884
Supplies and travel	2,886	1,302
Repairs and maintenance	1,262	660
Equipment rental	533	-
Audio-visual	1,538	1,177
Membership dues and fees	3,976	3,259
Insurance	4,000	3,476
Utilities	7,045	6,021
Professional services	2,388	4,589
Capital outlay	51,727	109,874
Miscellaneous	65	1,253
TOTAL EXPENDITURES	<u>144,781</u>	<u>196,833</u>
Excess of revenues over (under) expenditures	4,141	(91,664)
Fund balances, beginning of year	101,318	193,002
Prior period adjustment		(20)
Fund balances, end of year	<u>\$ 105,459</u>	<u>\$ 101,318</u>

The accompanying notes are an integral part of these financial statements.

LYONS TOWNSHIP DISTRICT LIBRARY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

YEAR ENDED FEBRUARY 28, 2006

Net change in fund balances -- total government funds.....	\$	4,141
Government funds expense capital outlays in the current year while the Statement of Net Assets allocates them over useful life:		
Add -- Capital Assets acquired and expensed by depreciation		66,393
Deduct - depreciation expense.....		(34,256)
Deduct - Loss on sale of building		(81,760)
Deduct - Payment received on sale of building		(30,178)
Change in net assets of government activities.....	\$	<u>(75,660)</u>

The accompanying notes are an integral part of these financial statements.

LYONS TOWNSHIP DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lyons Library was formed in 1980 and organized as the Lyons Township District Library in January 2003, under the applicable laws of the State of Michigan. The District Library is governed by an 8-member Library Board appointed by the municipalities of Lyons Township, Village of Lyons, Village of Muir, and Village of Pewamo with each municipality appointing 2 members. The goal of the Lyons Township District Library Board is to provide efficient and courteous library service, encourage the education of library personnel, and support the Library Bill of Rights.

The financial statements of the Library District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District Library's accounting policies are described below:

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present a financial report on all funds of Lyons Township District Library.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

LYONS TOWNSHIP DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures in the current period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Library District. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

LYONS TOWNSHIP DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The District Library reports all of its financial activity in the General Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District Library has elected not to follow subsequent private-sector guidance in the Statement of Net Assets and the Statement of Activities.

Budgets and Budgetary Accounting

Annual budgets are adopted for the general fund on a basis consistent with generally accepted accounting principles (GAAP). The Township follows these procedures in establishing the budgetary data which is reflected in the financial statements:

1. The budgets are generated with input from the library director, library employees, and the library board.
2. Public hearings are conducted to obtain taxpayer comments and recommendations. The operating budgets include proposed expenditures and the means of financing them.

LYONS TOWNSHIP DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

3. The budget is legally enacted through the passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
5. Budget appropriations lapse at fiscal year-end.

Investments

Investments are stated at fair value.

Restricted Assets

Certain proceeds may be set-aside or restricted for the repayment of debt obligations, a planned capital project, or for any other special purpose. The Lyons Township District Library has no restrictions on its net assets.

LYONS TOWNSHIP DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2006

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental funds in the government-wide financial statements. The District Library does not currently own infrastructure (roads, tunnels, bridges, etc.) Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on the capital assets of the primary government is computed using the straight-line method over the following estimated useful lives:

	Depreciable <u>Life-Years</u>
Building and structures.....	10 - 40
Furniture and equipment.....	5 - 15
Building and lot improvements.....	15
Trucks and vehicles.....	5
Machinery and equipment.....	5 - 15

Property Taxes

Property taxes for the Township are attached as an enforceable lien on property as of December 1 of each year. The December 1 levy is recorded as a revenue during the current fiscal year, and is intended to fund expenditures of the current year. Taxes are levied December 1 and are due without penalty on or before February 14.

LYONS TOWNSHIP DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

These winter tax bills include the District Library's voted millage. Subsequent to the winter tax collections by the townships, the County Treasurer remits the district library's share of the property taxes.

Fund Equity

In the fund statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent restricted net assets equal to restricted assets less related liabilities. The general fund of Library District has no reservation or designations of its \$105,459 fund balance.

Risk Management

The Library District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended February 28, 2006, the Township was covered by a liability and property insurance policy through the Michigan Municipal League Liability and Property Pool.

The insurance limitations are: Property, \$337,272; Liability, \$1,000,000; Wrongful acts, \$1,000,000; Employee bonds, \$100,000.

2. CASH AND DEPOSITS AND INVESTMENTS

The carrying amount of the Library District deposits at February 28, 2006, is \$29,827. All of these deposits are insured by the Federal Deposit Insurance Corporation. In accordance with State of Michigan policy limits, these deposits are all deposited in a Michigan bank. All accounts are in the name of the Library District and a specific fund or common account. They are recorded in the Library District records at fair value.

LYONS TOWNSHIP DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

Statutory Authority

State statutes authorize the Library District to invest in:

1. Bond securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services that matures not more than 270 days after date of purchase.
4. Banker's acceptances of United States banks.
5. Obligations of the State of Michigan or its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
6. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
7. External investment pools as authorized by Public Act 20 as amended through December 21, 1997.

Library District investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Library District or its agent in the Library District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the District Library's name.

LYONS TOWNSHIP DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District Library's name. Investments held by the District Library are reported at fair value.

All deposit accounts of Lyons Township District Library are in Category 1, registered and insured and are listed as follows:

<u>Depository</u>	<u>Account</u>	<u>Amount @ 02/28/06</u>
General Fund:		
Independent Bank	General Fund checking account	\$ 28,219.46
Independent Bank	General Fund Maxi savings account	1,582.46
District Library office	Petty cash	25.00
		<hr/>
	TOTAL DEPOSITED FUNDS.....	<u>\$ 29,826.92</u>

LYONS TOWNSHIP DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

3. CAPITAL ASSETS

A summary of changes in Capital Assets follows:

	Balance March 1, 2005	Additions	Disposals	Balance February 28, 2006
Governmental activities:				
Capital Assets:				
Buildings and Improvements	233,143	48,659	123,269	158,533
Book Collection	263,465	14,666	-	278,131
Furniture and equipment	24,534	3,068	-	27,602
Total Assets	521,142	66,393	123,269	464,266
Less accumulated depreciation:				
Buildings and Improvements	10,976	4,511	11,331	4,156
Book Collection	125,731	26,079	-	151,810
Furniture and equipment	9,450	3,666	-	13,116
	146,157	34,256	11,331	169,082
Capital Assets, net	374,985			295,184

Depreciation expense was charged to functions/programs of the general government as follows:

Library materials.....	\$ 26,079
Library administration.....	<u>8,177</u>
Total depreciation.....	\$ 34,256

LYONS TOWNSHIP DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

4. PENSION PLAN

The Lyons Township District Library does not have a pension plan for its employees. However, the Library District provides an amount to the librarian to invest in a tax sheltered annuity. For the year ended February 28, 2006, the District Library provided \$2,500 for this purpose.

5. LITIGATION

In the normal course of its activities, the District Library has become a party in various legal actions, including property tax assessment appeals. Management of the Library District is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Library District and, therefore, has not reflected loss reserves in the financial statements.

6. PREPAID EXPENSES

The Lyons Township District Library has paid expenses for several activities under agreements that extend beyond the fiscal year ended February 28, 2006. Prepaid expenses as of February 28, 2006, are the following:

Property Insurance.....	\$ 2,567
Worker's Compensation Insurance.....	5
Books: audio-book lease.....	<u>62</u>
Total Prepaid Expenses.....	\$ 2,634

LYONS TOWNSHIP DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

7. DUE FROM OTHER GOVERNMENTS

The public library system in Ionia County is supported by a voted millage. Tax bills for year 2005 were sent to all owners of real and personal property in the District in December 2005 with a due date of February 14, 2006. In accordance with accepted governmental accounting standards, the voted millage is revenue for the year ended February 28, 2006, even though the proceeds from this millage are not paid to the Library District until after the close of the fiscal year. Accordingly, millage proceeds of \$75,091.69 have been accrued as of February 28, 2006.

8. PRIOR PERIOD ADJUSTMENT

The Library District's net assets for the year ended February 28, 2005, have been adjusted by \$20 for an account payable that was not recognized in the prior audit report for the year ended February 28, 2005. The chart below details this change:

Net Assets, original @ 02/28/2005.....	\$ 101,338
Accounts payable.....	20
Decrease in Net Assets.....	<u>- 20</u>
Net Assets, adjusted @ 02/28/2005.....	\$ 101,318

SUPPLEMENTAL INFORMATION

GENERAL FUND

The General Fund is used to account for District Library resources that are not required legally or by sound financial management to be recorded in another fund. Revenues in this fund are derived primarily from a voted library millage, penal fines, state revenue sharing, fees for library services.

The legal level of budgetary control of the General Fund is at the activity level, as reflected on the following Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual.

**LYONS TOWNSHIP DISTRICT LIBRARY
BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND
YEAR ENDED FEBRUARY 28, 2006**

	BUDGETED AMOUNTS			VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Property taxes	\$ 68,000	\$ 68,000	\$ 77,626	\$ 9,626
Penal fines	26,000	26,000	27,112	1,112
State revenue sharing	3,300	3,300	3,030	(270)
Donations	400	400	7,882	7,482
Library services	1,800	1,800	1,606	(194)
Library fines	600	600	824	224
Merchandise sales	225	225	419	194
Interest	500	500	245	(255)
Sale of building	-	-	30,178	30,178
TOTAL REVENUES	100,825	100,825	148,922	48,097
EXPENDITURES:				
Wages	50,000	50,000	47,586	2,414
Payroll taxes	3,750	3,750	3,640	110
Fringe benefits	3,325	3,325	3,300	25
Books	10,000	10,000	14,666	(4,666)
Periodicals	1,000	1,000	169	831
Supplies	1,200	1,200	2,886	(1,686)
Repairs and maintenance	1,000	1,000	1,262	(262)
Equipment rental	420	420	533	(113)
Rental payment	2,400	2,400	-	2,400
Audio Visual	1,000	1,000	1,538	(538)
Membership dues and fees	4,125	4,125	3,976	149
Insurance	3,490	3,490	4,000	(510)
Utilities	6,600	6,600	7,045	(445)
Professional services	5,150	5,150	2,388	2,762
Capital outlay	-	-	51,727	(51,727)
Miscellaneous	1,000	1,000	65	935
TOTAL EXPENDITURES	94,460	94,460	144,781	(50,321)
REVENUES OVER (UNDER) EXPENDITURES	6,365	6,365	4,141	(2,224)
NET CHANGE IN FUND BALANCES	6,365	6,365	4,141	(2,224)
FUND BALANCE, BEGINNING OF YEAR	101,318	101,318	101,318	-
FUND BALANCE, END OF YEAR	\$ 107,683	\$ 107,683	\$ 105,459	-

Lawrence Tiejema, PC Certified Public Accountant

31 E. Main Street, Saranac, MI 48881 616-642-0384 fax: 616-642-0610
email: tej@iserv.net

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

December 18, 2006

Lyons Township District Library Board
Lyons Township
Ionia County, Michigan

I have audited the financial statements of the governmental activities of the Lyons Township District Library of Lyons Township, State of Michigan, as of and for the year ended February 28, 2006, which collectively comprise the District Library's basic financial statements and have issued a report thereon dated December 18, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

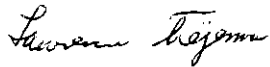
In planning and performing my audit, I considered the Lyons Township District Library's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lyons Township District Library's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The Lyons Township District Library maintains a chart of accounts that does not match in all aspects the Uniform Chart of Accounts required by MCL 141.421. At the same time, the District Library's Chart of the Accounts is consistent with the operations of the District Library and, in my opinion, does not represent a material weakness in internal control. Except for the non-compliance of the District Library's Chart of Accounts, the results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the township board officers, bond and credit holders, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Lawrence Tiejema, PC.

December 18, 2006

Lawrence Tiejema, PC Certified Public Accountant

31 E. Main Street, Saranac, MI 48881 616-642-0384 fax: 616-642-0610
email: tiej@iserv.net

January 2, 2007

Lyons Township District Library Board
Lyons Township
County of Ionia

To the Board of Lyons Township District Library:

You may refer to my report on internal control over financial reporting and compliance with laws and established accounting procedures. The report states that I noted no matters involving internal control of financial reporting that would be considered material weaknesses. The following comments are not made to express an opinion on internal control but to point out some controls and procedures that are serving the District Library well.

- (1) The Director reconciles all bank statements and presents revenue/expenditure reports frequently to the board for its review.
- (2) The Director maintains a ledger sheet on all deposits that links the details of all deposits to their account titles.
- (3) Copies of all contracts and working agreements are filed in an organized manner and can be easily assessed for inspection.

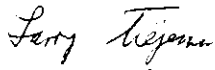
In addition, I noted the following three issues that can be addressed to improve internal control and financial reporting:

- (1) The Michigan Department of Treasury has implemented MCL 141.42 by establishing a Uniform Chart of Accounts whereby all asset, liability, equity, revenue, and expenditure accounts are labeled by specified account numbers. Though all the account names of the Lyons Township District Library are appropriate and proper, no account numbers have been used. I would recommend that account numbers be used along with the account names.

- (2) During the year, the Lyons Township District Library board authorized the sale of a building and the expenditure to improve another building. However, no amendments were made to the budget when these authorizations were made. Whenever additional revenues and/or expenditures are realized during a fiscal year, it is proper to amend the budget to reflect these changes.
- (3) On a few occasions during the audit, it was difficult to find invoices or other supporting documentation. I would suggest that a hanging file be used for each month of the fiscal year. Each hanging file could contain file folders for revenues and expenditures.

If you have any questions regarding these comments and suggestions, please contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Larry Tiejema".

Larry Tiejema, CPA